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Attachments:

- PRF\_annual report\_2020\_2021 eng.pdf (<http://oam.fi.ee/en/download?id=5897>)
- PRF\_aastaruanne\_2020\_2021 est.pdf (<http://oam.fi.ee/en/download?id=5898>)

Currency

Title PRFoods Audited Consolidated Annual Report 2020/2021

Management Commentary

The most difficult year in group history is over. We were attacked from three fronts: from one side the corona crisis caused a situation, where demand for fish products and raw material prices were dropping drastically. This led to decrease in gross margin and revenue. Secondly, we were entering into the crisis with high financial leverage due to recent acquisitions of companies and banks demanded aggressively us to reduce loan portfolio. Third, group previous management of Finland was not able and didn't want to react to changes, which meant that problems were accumulating in that unit. Dealing with all three crisis at the same time was increasing group loss - we were forced to make decisions, which would not normally have been done.

As a result of above, group's turnover decreased yearly bases 25% to 58.7 million euros(2019/2020: 78.3 million euros).

EBITDA loss 1.3 million euros was the final result - historically first one for us (2019/2020: EBITDA profit 1.9 million euros). Net loss 5.2 million euros (2019/2020: net loss 1.9 million euros).

EBITDA was significantly impacted: raw material prices increased abruptly when corona restrictions were loosened, but at the same time Finnish market sales prices were agreed during winter, when prices were lower. This led to the situation in last quarter, where we were forced to sell some products below COGS. To end this we had to release the local CEO and informed customers about ending non-profitable contracts.

From positive side the group's cash flow from operations was positive by 2 million euros and total cashflow over the period improved by 0.53 million euros. We also reduced our net debt and reduced significantly short term liabilities of



the company. Our fish farming unit presented better results and was a backbone of the Scandinavian business. In that field we miss permission from Estonian government to begin with large-scale fish-farming - due to that we missed significant revenue.

Although our Scotland units net profit and turnover decreased up to 30%, John Ross Jr managed to end the year with 1.4 million euros EBITDA. This was outstanding as well as Estonian unit, who managed to rise from month to month retail product sales despite HoReCa markets decrease close to zero.

The number of employees decreased by ca 10% on annual basis. Finland's units cost decrease didn't match the decrease of revenue and margins. In conclusion we can say that Finnish unit was the root cause of problems.

PRFoodsi action plan to overcome the crisis is:

1. Decrease overall debt level through positive EBITDA and strengthening of equity base.
2. Completely restructure Finnish division, either through disposal or closure of loss-making business units. Eliminate totally all low margin products from Finnish sales.
3. Increase reeteil sales in UK, EU markets, including home market Estonia.
4. Group's strategic focus is on fish farming, as a division that has been profitable every year. Target is to reach by 2023 fish farming volume of 10,000 tons, giving additional 45-50 million euros in sales by year.

Group's financial position is not simple. At the same time, we must remember that 11 million euros bonds have been issued solely for refinancing of John Ross Jr. acquisition and John Ross Jr results have not been impacted so severely, their operational cash flow is strong and they pay regularly dividends to parent company, therefore we find their leverage to be acceptable. Fish farming requires long term capital for fish feed and this is in process.

Last year we were forced to reduce significantly working capital financing through banks, which put strain on company's finances. We have reduced significantly working capital needs in operations, also through lower inventory. Most important is to restore profitability in the environment of lower sales and restructure loss-making business units.

Having hardened for second year in corona crisis, we know that it is not sustainable to rely on outside help and all difficult decisions need to be taken sooner than later. For our advantage the fish market has started much stronger this year and is more predictable, the demand for our products is growing. The only objective of new financial year is profit and everything that blocks our road to profitability must be eliminated.

Key Ratios of the Group

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INCOME STATEMENT					
mln EUR	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Sales	58.7	78.3	85.7	94.9	51.1
Gross profit	5.0	9.6	11.9	13.2	3.9
EBITDA from operations*	-1.2	2.8	4.0	6.0	0.6
EBITDA	-1.3	1.9	1.7	4.4	2.0
EBIT	-3.9	-0.7	-0.5	2.3	0.7
EBT	-5.0	-1.8	-1.2	1.4	0.5
Net profit (-loss)	-5.2	-1.9	-1.5	1.0	0.2
Gross margin	8.5%	12.2%	13.9%	13.9%	7.7%
Operational EBITDA margin	-2.1%	3.5%	4.7%	6.3%	1.2%
EBITDA margin	-2.1%	2.4%	2.0%	4.7%	3.8%
EBIT margin	-6.6%	-0.9%	-0.5%	2.5%	1.4%
EBT margin	-8.5%	-2.2%	-1.4%	1.5%	1.1%
Net margin	-8.8%	-2.4%	-1.7%	1.1%	0.4%
Operating expense ratio	16.1%	13.4%	12.5%	10.5%	9.6%

BALANCE SHEET					
mln EUR	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Net debt	22.4	20.7	20.5	18.1	1.0
Equity	15.8	19.8	21.9	23.3	22.7
Working capital	-3.2	-4.0	-3.1	2.8	11.5
Assets	55.6	57.1	62.5	65.5	33.5
Liquidity ratio	0.8x	0.8x	0.9x	1.1x	2.3x
Equity ratio	28.4%	34.7%	35.0%	35.6%	67.8%



Gearing ratio	58.7%	51.1%	48.3%	43.7%	4.1%
Debt to Asset	0.7x	0.7x	0.7x	0.6x	0.3x
Net debt-to-EBITDA from operations	-17.9x	7.5x	5.1x	3.0x	1.6x
ROE	-29.0%	-9.1%	-6.5%	4.3%	0.9%
ROA	-9.2%	-3.2%	-2.3%	2.0%	0.6%

\* before one-offs and fair value adjustment of fish stock

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